



THIS IS EFTA

2007





This is EFTA 2007

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-

Cover picture: The Ruggeller Riet, Liechtenstein

*The Ruggeller Riet is both the richest natural habitat and the lowest point in Liechtenstein (430 metres above sea level). The protected area is a marsh that developed around 10 000 years ago with the help of the backwaters of the river Rhine. The character plant is the Siberian Iris (*Iris sibirica*). Of European importance is the Kammfarn (*Dryopteris cristata*). 450 plant species, 72 moss – and 216 fungus – species can be found in the Ruggeller Riet. The rich fauna includes 146 bird – and 534 butterfly – species. A visit to this outdoor nature museum is a rewarding experience for every nature-loving visitor to Liechtenstein.*

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Editor's Note:

Texts and maps reflect the situation at editorial closing date 30 March 2007. Published, reliable statistics naturally lag behind political events with several years' and months' delay. Readers should therefore be aware that the statistics reflect the political situation in 2005, with *inter alia* Bulgaria and Romania before EU accession.

"This is EFTA" is an overview of EFTA's activities and institutional framework. For an updated summary of the more specific activities in the last year, please consult EFTA's Annual Report. It is also available on our website: <http://secretariat.efta.int/>

FOREWORD



The history of EFTA, since it was established in 1960, is part of the political and economic history of Europe after the Second World War. The present membership and structure of EFTA can only be understood in the light of the wider quest for European economic integration and the development of the global multilateral trading system.

After the war, the importance of free trade for economic growth and reconstruction was recognised. Countries were determined not to return to the chaotic trading situation of the pre-war period, and the General Agreement on Tariffs and Trade (GATT) was set up. In Europe, free trade and economic integration were seen as important parts of the political process to avoid future conflicts. In 1957, six central European countries signed the Treaty of Rome thus creating a customs union and close economic co-operation in key areas. Two years later, seven other European countries signed the EFTA Agreement, thereby forming a free trade area between them.

The membership of EFTA changed during the next decades as political integration in Europe gathered pace. "The New EFTA", as we know it today, came into existence in 1995 with its present membership of Iceland, Liechtenstein, Norway and Switzerland. The Member States have updated the EFTA Convention. In addition to promoting intra-EFTA free trade, the organisation has two other distinct tasks. It negotiates and maintains free trade agreements with third countries, and assists in the administration of the Agreement on the European Economic Area (EEA). This Agreement is a joint venture between three EFTA States (Iceland, Liechtenstein and Norway) and the EU. The work on free trade agreements is carried out at EFTA's headquarters in Geneva while the work on EEA matters is conducted in EFTA's Brussels office.

The results achieved by EFTA are formidable.

EFTA has concluded 15 free trade agreements (FTAs) with countries all over the world. Discussions are also going on with a number of countries for new agreements. I wish to underline that EFTA's FTA negotiating policy is based upon the multilateral trading system, which it also aims to strengthen.

As members of the EEA, Iceland, Liechtenstein, and Norway are part of the EU's Internal Market, which covers the three States and all the EU Member States. The Internal Market is based on the principle of free movement of goods, services, capital and persons with uniform trade and competition rules. Switzerland, although not a member of the EEA, also benefits from its active observer status in the EEA EFTA structure in its administration of the bilateral Swiss-EU agreements.

The system of free trade agreements (described above) gives the EFTA States access to one of the world's largest networks of free trade partners. So although EFTA has a small membership, it is a world leader in the promotion of free trade to the benefit of its own citizens and close to one billion people in Europe and other partner countries. In this regard one should also bear in mind the economic power of the EFTA States. They are the world's tenth largest in trade in goods and fifth in trade in services. They are also among the world's largest markets for both outward and inward investment flows. They rank among the ten countries with the highest GDP per capita and are among the countries with the highest human development index according to the UNDP.

I am proud that EFTA has contributed significantly to the economic development of its Member States for many decades, and I am sure that the organisation will continue to be an indispensable instrument for our countries for years to come.

Kåre Bryn

A handwritten signature in blue ink that reads "Kåre Bryn". The signature is stylized with a large 'K' and a cursive 'Bryn'.

Secretary-General

THE EUROPEAN FREE TRADE ASSOCIATION

The European Free Trade Association (EFTA) is an inter-governmental organisation set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway and Switzerland. The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
- EFTA's worldwide network of free trade and partnership agreements;
- The European Economic Area (EEA) Agreement, which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to participate in the EU's Internal Market.



Creating Europe's largest free trade area of its time. EFTA's founding Member States at the signing of the EFTA Convention that established the European Free Trade Association in 1960.

© Keystone



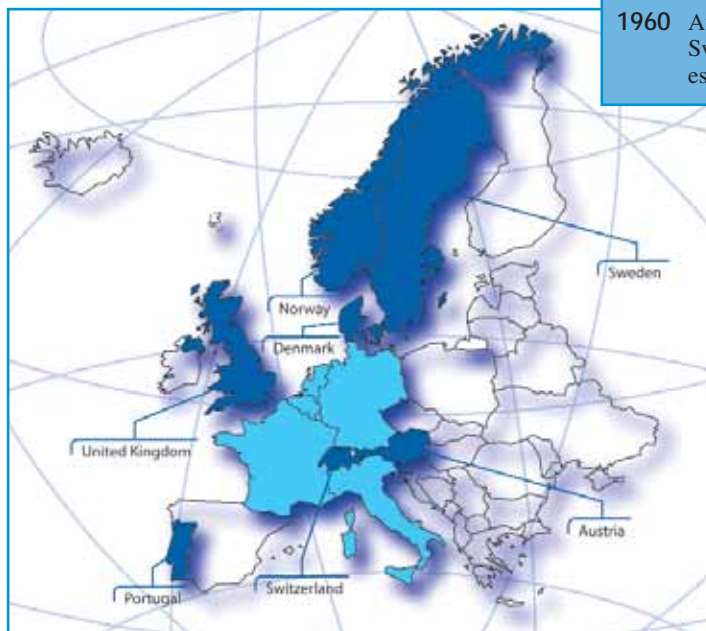
The Vaduz Convention (the updated EFTA Convention)

The EFTA Convention regulates the free trade relations between the Member States and provides the legal framework for EFTA as an organisation.

The updated EFTA Convention was signed in Vaduz (Liechtenstein) on 21 June 2001. The new Vaduz Convention entered into force on 1 June 2002 with the following main changes:

- The scope of the Convention was expanded to include new trade areas such as: trade in services and investment, mutual recognition of conformity assessment, free movement of persons, social security and mutual recognition of diplomas, land and air transport, public procurement and intellectual property rights.
- The functions of the EFTA Council were broadened to reflect the historical changes in EFTA's mission, in particular with respect to EFTA's free trade regime with partner countries. The new Convention provides a more cohesive framework for economic relations between the four EFTA Member States and gives them an improved instrument to manage their internal relations and those with present and potential partner countries.

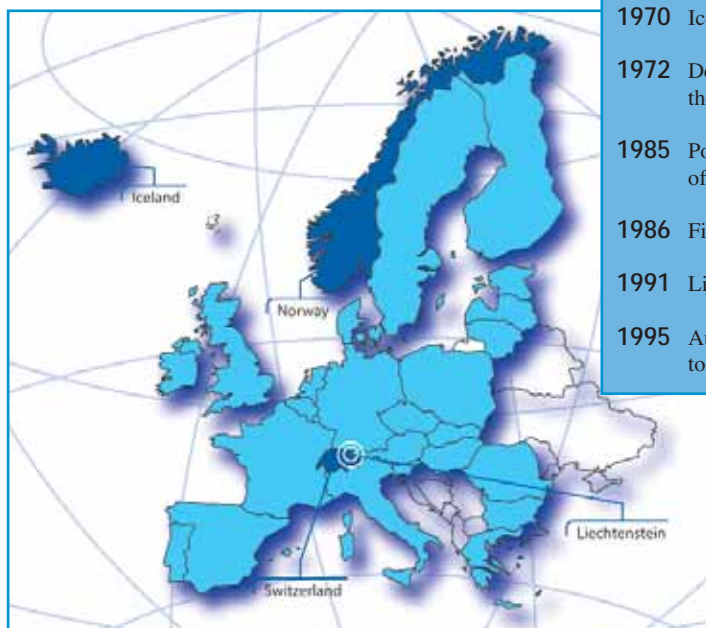
EFTA and the EU 1960



1960 Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK established EFTA



EFTA and the EU 2007



- 1970** Iceland becomes a member of EFTA
- 1972** Denmark and the UK leave EFTA to join the EEC (EU)
- 1985** Portugal leaves EFTA to become a member of the EEC (EU)
- 1986** Finland becomes a full member of EFTA
- 1991** Liechtenstein becomes a member of EFTA
- 1995** Austria, Finland and Sweden leave EFTA to join the EU



EFTA History at a Glance

- 1960** The Association is founded by Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK, to promote closer economic co-operation and free trade in Europe.
- 1961** Finland becomes an associate member of EFTA.
- 1966** Full free trade in industrial products is achieved among the EFTA States.
- 1970** Iceland becomes a member of EFTA.
- 1972** Denmark and the UK leave EFTA to join the European Economic Community (EEC). The remaining EFTA States sign bilateral free trade agreements (FTAs) with the EEC.
- 1977** Elimination of tariffs on industrial goods in trade between the EEC and the EFTA States.
- 1979** Free Trade Agreement signed with Spain.
- 1984** Luxembourg Declaration on broader co-operation between the EEC and EFTA.
- 1985** Portugal leaves EFTA to become a member of the EEC.
- 1986** Finland becomes a full member of EFTA.
- 1989** Start of negotiations on a European Economic Space, later to become the European Economic Area (EEA). Agreement on free trade in fish between the EFTA States.
- 1991** Liechtenstein becomes a member of EFTA. FTA signed with Turkey.
- 1992** The Agreement on a European Economic Area signed in Oporto, Portugal. FTAs signed with the former Czechoslovakia, Israel, Poland and Romania. Declaration on Co-operation signed with Albania. Switzerland rejects participation in the EEA by referendum.
- 1993** FTA signed with Bulgaria and Hungary. Protocol on the succession of the Czech Republic and the Slovak Republic to the EFTA-Czechoslovakia Agreement signed.
- 1994** The Agreement on the European Economic Area enters into force. The EEA Financial Mechanism is established for the period 1994-1998.
- 1995** Austria, Finland and Sweden leave EFTA to join the European Union. Liechtenstein becomes a full participant in the EEA Agreement. FTAs signed with Estonia, Latvia, Lithuania and Slovenia. Declarations on Co-operation signed with Egypt, Morocco and Tunisia.
- 1996** Declarations on Co-operation signed with Macedonia and the Palestinian Authority.
- 1997** FTA signed with Morocco. Declarations on Co-operation signed with Jordan and Lebanon.
- 1998** Formal negotiations on an FTA launched with Canada, Egypt and Jordan.
- 1999** FTAs with the Palestinian Authority and with Morocco enter into force.
- 2000** FTAs signed with Macedonia and Mexico. Declarations on Co-operation signed with Croatia, Ukraine, the Co-operation Council of the Arab States of the Gulf (GCC), the Southern Common Market (MERCOSUR) and Serbia and Montenegro. A new EEA Financial Instrument is established for the period 1999-2003.
- 2001** Updated EFTA Convention signed in Vaduz, Liechtenstein. FTAs signed with Croatia and Jordan.



2002 Updated EFTA Convention (Vaduz Convention) enters into force. FTA signed with Singapore. Declaration on Co-operation signed with Algeria. Application for EEA membership submitted by ten countries acceding to the European Union.

2003 Agreement on EEA enlargement signed. New EEA Financial Mechanism and Norwegian Financial Mechanism established in support of social and economic cohesion for the period 2004-2009. FTA with Singapore enters into force. FTA signed with Chile. Formal launch of free trade negotiations with the Southern African Customs Union (SACU).

2004 Simultaneous enlargement of the EU and the EEA. FTA with Chile enters into force. FTAs signed with Lebanon and Tunisia. Formal

launch of free trade negotiations with the Republic of Korea.

2005 FTA signed with the Republic of Korea. Two Mutual Recognition Agreements (MRAs) signed with the USA. Negotiations with the Southern African Customs Union (SACU) finalised. Formal launch of free trade negotiations with Thailand.

2006 Start of negotiations with Bulgaria and Romania on accession to the EEA. FTA signed with the Southern African Customs Union (SACU). Negotiations on an FTA with Egypt finalised. Formal launch of free trade negotiations with the Gulf Co-operation Council (GCC). FTA with the Republic of Korea enters into force. Launch of Joint Study Group with India.



Dag Terje Andersen, Minister of Trade and Industry of Norway; Kare Bryn, Secretary-General of EFTA; Doris Leuthard, Federal Councillor, Head of the Department of Economic Affairs of Switzerland (Chair); Valgerður Sverrisdóttir, Minister for Foreign Affairs of Iceland and Rita Kieber-Beck, Minister of Foreign Affairs of Liechtenstein.

THE EFTA STATES

Although the EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) are small, they are world leaders in several sectors vital to the global economy.

The two EFTA Alpine countries – Liechtenstein and Switzerland – are internationally renowned financial centres and hosts to major companies and multinationals. The Swiss economy is based on high-quality products commanding high prices in world markets. Switzerland is a world leader in pharmaceuticals, biotechnology, machinery, watch-making, banking and insurance. Despite its small size and limited national resources, Liechtenstein is highly industrialised and specialized in capital – and R&D intensive, high-technology products, notably precision instruments.

The two EFTA Nordic countries, Iceland and Norway, stand out in fish production, the metal industry and maritime transport. The Icelandic economy benefits from renewable natural resources – rich fishing grounds, hydro and geothermal power. While still heavily dependent on fishing and fish processing, the Icelandic economy has in the last two decades increasingly diversified into the aluminium industry and services, especially financial services. Much of Norway's economic growth has been fuelled by an abundance of natural resources, including petroleum exploration and production, hydroelectric power, and fisheries. Others important sectors include services, notably maritime transport and oil-related industries.

The EFTA members rank among the countries with the highest GDP per capita in the world. They also benefit from very low unemployment rates compared to other OECD countries.

The EFTA economies are traditionally very dependent upon and open to international trade, as evidenced also by their high trade openness ratios (trade-to-GDP): 38% for Iceland, 36% for Norway and 45% for Switzerland (compared to 14% for the EU-25).

In spite of EFTA's modest size, in 2005 the EFTA States taken together constituted the world's tenth largest merchandise trader and the fifth largest trader in commercial services, counting the EU as one.

The EFTA States represent a sizeable market characterised by a high purchasing power: in 2005, EFTA's combined GDP amounted to 665 billion USD – a GDP roughly comparable to the one of India (785 billion), the Republic of Korea (788 billion) or Australia (701 billion).

EFTA countries are also key investors abroad, both in terms of direct investment and portfolio equity investment. The EFTA countries' combined stock of foreign direct investment (FDI) outflows in 2005 amounted to 769 billion USD – just behind France and nearly double the ones of Canada or Japan.

The EFTA economies are also consistently high performers on competitiveness, ranking among the top 14 most competitive economies worldwide.

Finally, the EFTA States are also hosts to a significant number of major multinational companies.

The EU is EFTA's main trading partner, accounting for 76% of EFTA's merchandise imports and 71% of its exports. What is less well known is that EFTA is the EU's second largest trading partner after the United States, placing it before China, Japan and Russia. The same is true for trade in services where EFTA ranked second before Japan, Canada and China in 2004.



Editor's Note:

Complementing statistical material underpinning this article can be found in the section EFTA in Figures, starting on page 27.

General information: 2007

Fig. 1

| | Iceland | Liechtenstein | Norway | Switzerland |
|---|----------------------------------|--------------------------------------|---------------------------------|---|
| Name | Republic of Iceland | Principality of Liechtenstein | Kingdom of Norway | Swiss Confederation |
| Government | Parliamentary Government | Constitutional Monarchy | Constitutional Monarchy | Federal Republic |
| Head of State | President Ólafur Ragnar Grímsson | Prince Hans-Adam II of Liechtenstein | King Harald V | President of Swiss Confederation Micheline Calmy-Rey |
| Head of Government | Prime Minister Geir H. Haarde | Prime Minister Otmar Hasler | Prime Minister Jens Stoltenberg | President of Swiss Confederation Micheline Calmy-Rey |
| Official Languages | Icelandic | German | Norwegian (Bokmål and Nynorsk) | German, French, Italian and Romansh |
| Capital | Reykjavík | Vaduz | Oslo | Berne |
| Area | 103 000 km ² | 160 km ² | 323 802 km ² | 41 284 km ² |
| Population (31.12.2005) | 299 404 | 34 905 | 4 640 219 | 7 459 128 |
| Population Density (inhabitants per km ²) | 2.9 | 218.2 | 14.3 | 180.7 |
| Currency | Icelandic króna (ISK) | Swiss franc (CHF) | Norwegian krone (NOK) | Swiss franc (CHF) |
| National Holiday | 17 June | 15 August | 17 May | 1 August |

Sources: National Statistical Offices, Eurostat and Official Government Websites



Fig. 2

Economic indicators: 2005

| | Iceland | Liechtenstein ^{[1], [2]} | Norway | Switzerland | EU-25 |
|---|---------|-----------------------------------|---------|-------------|------------|
| GDP (in million EUR at market prices) | 12 954 | 2 719 | 237 707 | 294 255 | 10 793 800 |
| GDP Per Capita (PPS in EUR) | 31 200 | 33 700 ^[3] | 38 600 | 29 800 | 23 400 |
| GDP Growth (in %) | 7.5 | -1.3 | 2.3 | 1.9 | 1.7 |
| Inflation (in %) | 2.6 | 1.2 | 1.5 | 1.2 | 2.2 |
| Unemployment (in %) | 2.6 | n.a | 4.6 | 3.8 | 8.7 |
| Exports: Goods (in million EUR) | 2 495 | n.a | 83 159 | 102 496 | 1 070 981 |
| Imports: Goods (in million EUR) | 3 686 | n.a | 44 250 | 100 486 | 1 179 812 |
| Exports: Services (in million EUR) | 1 647 | n.a | 24 181 | 38 365 | 406 292 |
| Imports: Services (in million EUR) | 2 047 | n.a | 20 875 | 20 466 | 349 356 |
| Exports of Goods and Services | 4 141 | n.a | 107 340 | 140 862 | 1 433 681 |
| Imports of Goods and Services | 5 733 | n.a | 65 125 | 120 953 | 1 499 712 |
| Total: Trade (in million EUR) | 9 874 | n.a | 172 465 | 261 814 | 2 933 393 |
| Government Financial Balance (in % of GDP) | 5.6 | n.a | 16.2 | 0.0 | -2.3 |
| Government Debt (in % of GDP) | 19.4 | n.a | 44.7 | 28.6 | 63.2 |

Sources: Eurostat, National Statistical Offices and Official Government Websites

^[1] Liechtenstein's trade is included in Switzerland's trade figures due to the existence of the Swiss-Liechtenstein Customs Union

^[2] Liechtenstein's GDP figures are from 2003

^[3] Liechtenstein's inhabitants are adjusted by cross-border commuter population

FREE TRADE AGREEMENTS

EFTA's trade strategy has progressively evolved beyond the confines of the European continent. Since the late 1990s the EFTA States have 'gone global' to maintain their competitive position in the world.

Using EFTA, the Member States have created one of the world's largest networks of free trade partners. The EFTA free trade agreement (FTA) network secures economic operators free access to markets of around 440 million consumers.

The main reason why Iceland, Liechtenstein, Norway and Switzerland use EFTA as their common vehicle for free trade negotiations is that, as a trade grouping, the EFTA countries carry more weight as economic players and are thus more interesting for potential trade partners.

At the time of writing, EFTA had concluded 15 Free Trade Agreements with a total of 19 partner countries and territories around the world (see also map on page 13):

Chile, Croatia, Egypt, Israel, Lebanon, Macedonia, Mexico, Morocco, Palestinian Authority, Southern African Customs Union (SACU, comprising Botswana, Lesotho, Namibia, South Africa and Swaziland), Singapore, the Republic of Korea, Tunisia and Turkey.

It should be noted that while the EFTA countries pursue a policy of concluding free trade agreements, this does not detract them from giving priority to a well-functioning multilateral trade system under the auspices of the WTO. The two approaches, bilateral and multilateral, are mutually supportive.

At the time of writing, EFTA had recently concluded agreements with Egypt and SACU. Negotiations are in progress with Colombia, the GCC, Peru and Thailand. In addition, there are dialogues on possible negotiations with India and Indonesia. For a full overview, see map and legend on page 13.



EFTA Free Trade Agreements

Establish a free trade area between the partners. They provide for free trade in industrial goods, including fish and other marine products; cover trade with processed agricultural products; provide for trade disciplines; govern the preferential trade in goods under the FTA and contain elaborate rules on customs and origin matters, including cumulation^[1]. Trade in basic agricultural products is covered in separate bilateral agreements relating to the FTA.

Liberalise trade in services, investments and public procurement in more recent agreements, including those with Mexico, Singapore, Chile and the Republic of Korea. Other agreements contain rules allowing for the further development and deepening of relations in these fields through evolutionary clauses, e.g., with partners in the Mediterranean region.

Include rules on competition to avoid adverse effects in the case of restraints of competition which could frustrate the liberalisation benefits of the FTA.

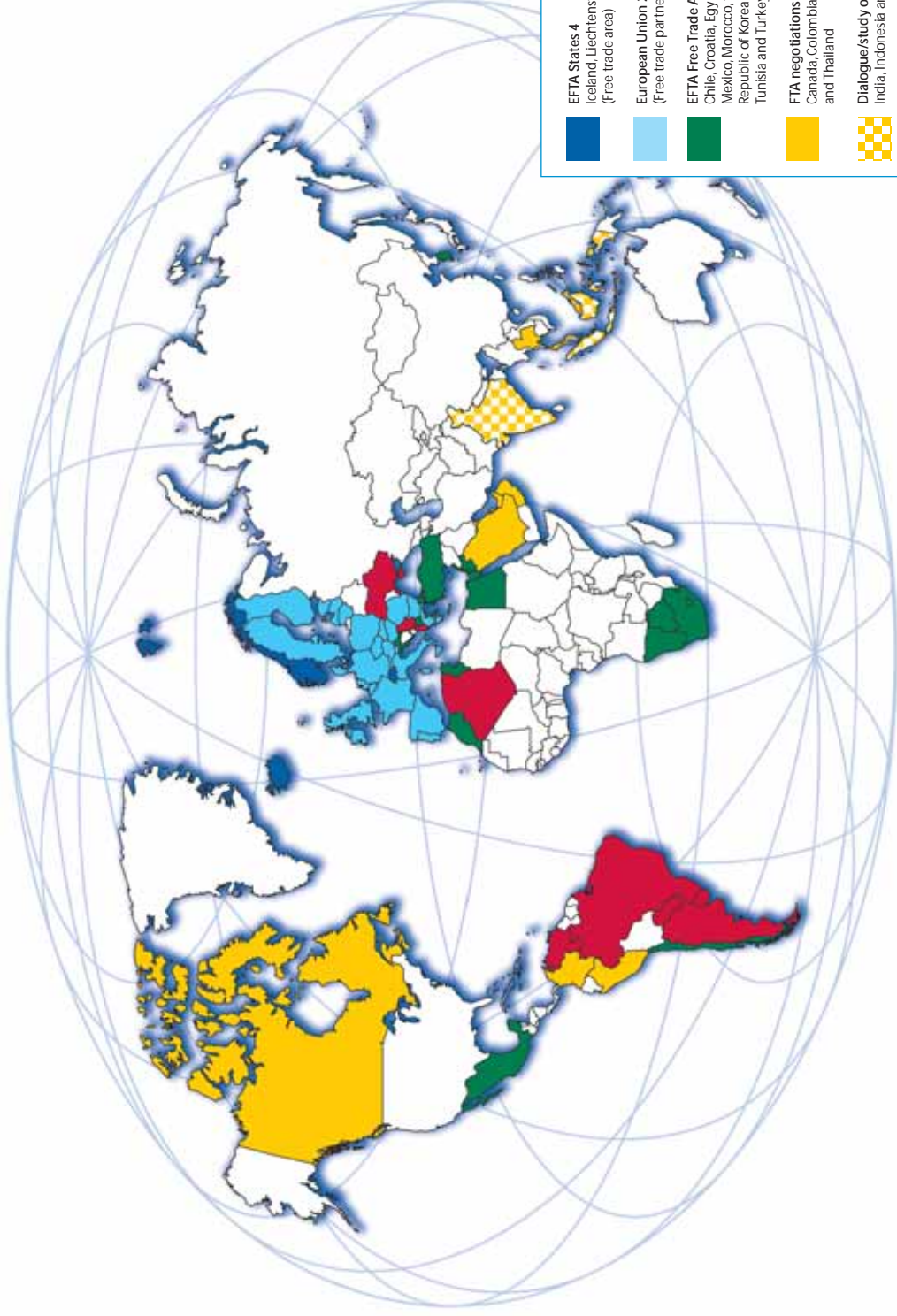
Provide for the protection of intellectual property rights in accordance with high standards.

Contain provisions for the avoidance and settlement of disputes between the parties.

Are regularly adapted and upgraded to make them as efficient as possible, taking into account developments in the World Trade Organization, and in bilateral trade relations of major trading partners.

^[1] Cumulation means that products originating in one partner country may be used as materials in the production of a product in another partner country without prejudice to the preferential status of the finished product.

FTA NETWORK - ACROSS EUROPE AND BEYOND



What is in an EFTA Free Trade Agreement?

All EFTA FTAs cover trade in industrial products, including fish, and processed agricultural products. They include trade disciplines as well as rules on competition, protection of intellectual property and payments and transfers. Bilateral arrangements between the individual EFTA countries and the respective partner countries cover trade in basic agricultural products. Since 2000, EFTA FTAs with a number of partners also contain substantive rules liberalising trade in services, investments and public procurement.

Different Levels of Economic Development

EFTA FTAs take into account the partner countries' different levels of economic development, sometimes leading to an asymmetrical approach. While the EFTA States normally abolish all tariffs and other restrictions on industrial products at entry into force of the agreement, less economically developed partner countries may benefit from transition periods. These periods are intended to provide the partners with the necessary time to adapt their economies to free trade conditions.

Agriculture

Most EFTA FTAs contain protocols or annexes on processed agricultural products. The duties on these products reflect the difference between the domestic market price and the world market price of the basic agricultural component (raw material) of the product. Duties on the industrial (processing) component are eliminated. The EFTA States have their own lists of products for which they grant concessions to the partner country and vice versa.

Since the EFTA States do not have a common agricultural policy, basic agricultural products are dealt with in bilateral arrangements. Such bilateral agreements are concluded between each EFTA State and the partner country in parallel with the main agreement. These arrangements form part of the instruments that govern the free trade area.

Fish and other Marine Products

The fisheries sector accounts for approximately two thirds of Iceland's total exports of goods and is one of the main contributors to Norway's GDP. The two countries export fish to more than 170 countries. Free trade in fish and other marine products is therefore a key element in all EFTA FTAs.



First round of negotiations with the Gulf Co-operation Council (GCC) in Geneva, June 2006. Mr Lars Erik Nordgaard, Chief Negotiator, Ministry of Trade and Industry, Norway, discussing with Dr. Hamad S. Al-Bazai, Coordinator-General for Negotiations of the GCC.

Rules of Origin

In an FTA, the country of origin of a product is determined on the basis of rules of origin. These rules indicate which goods qualify for preferential market access. They are fundamental to the functioning of a free trade area, as they tell the economic operator whether or not a given product can be traded under the FTA. Products (both industrial and agricultural) need to be either “wholly obtained” or “sufficiently worked or processed” in the country of a free trade partner in order to be considered as originating products. Globalisation of production processes has made the identification of the country of origin increasingly complex, as few products exist without input of foreign origin. Consequently, one of the main functions of rules of origin is to determine to what extent domestic products may contain imported materials from a country outside the free trade area concerned without losing their preferential status under the FTA.

Public Procurement

Effective liberalisation of public procurement markets is an integral objective of EFTA FTAs. In recent agreements, liberalisation obligations have been included, on the basis of the principles of reciprocity, non-discrimination and transparency. Such provisions either build on the WTO Government Procurement Agreement or substantially replicate its structure and content.

Intellectual Property Rights

The protection of intellectual property rights (IPR) is very important in international trade because inadequate levels of protection can hamper commerce and impede the smooth running of a free trade area.

EFTA's FTAs provide for high standards of IPR protection. The provisions afford adequate, effective and non-discriminatory protection of intellectual property rights. They include measures to enforce the protection of such rights against infringement, counterfeiting and piracy. The provisions build on the principles of national treatment and most-favoured-nation (MFN) treatment as set out in the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.

Competition Rules

EFTA FTAs also contain rules on competition. This is because removing traditional barriers to trade, such as tariffs and quantitative restrictions, is not necessarily sufficient. The rules on competition ensure that liberalisation of trade under an agreement is not hindered by new barriers in the form of agreements or practices between or by enterprises that can prevent, restrict or distort competition.

The provisions on competition also apply to the activities of public enterprises and monopolies.

Services and Investment

EFTA FTAs with European and Mediterranean countries contain an evolutionary clause on services and investment with the aim of achieving gradual liberalisation and the mutual opening of markets for investments and trade in services.

In line with their active involvement in other international fora, the EFTA States now include provisions for the liberalisation of trade in services. In the more ambitious agreements, these cover all modes of service supply and contain separate sections or annexes relating to specific sectors, e.g. financial services and telecommunications. They build on the General Agreement on Trade in Services (GATS) and follow a similar approach, complemented by enhanced specific commitments.

On investment, FTAs concluded by the EFTA States to date follow different patterns as far as coverage is concerned. Provisions have been elaborated in connection with most recently concluded transcontinental FTAs (e.g. with Mexico, Singapore, Chile and with other partners through a related investment agreement). These rules liberalise investments between the parties and may cover promotion, establishment, transfers, capital movements and/or protection.

Joint Committee

A Joint Committee composed of representatives of the EFTA States and the partner country supervises the implementation of each FTA. To facilitate the work



flow, a Joint Committee may establish subcommittees, e.g., in the field of customs and origin matters.

A Joint Committee normally meets every second year.

Dispute Settlement

EFTA FTAs foresee that the resolution of any differences between parties arising from the interpretation and application of an agreement be conducted through direct and Joint Committee consultations.

Diplomacy remains the fundamental principle for the settlement of disputes under international law. The same applies to disputes between the EFTA States and their FTA partners.

There has, however, been an increasing international trend over the last decade to establish dispute settlement mechanisms under free trade agreements for situations where diplomatic means fail. Accordingly, the EFTA States have been introducing arbitration mechanisms in their FTAs.

Joint Declarations on Co-operation

In addition to the Free Trade Agreements, the EFTA States have concluded several Joint Declarations on Co-operation.

Can be the first step towards free trade relations between the partners concerned. They aim to promote the harmonious development of economic relations; create an environment supportive of private entrepreneurship, free competition and economic activity based on market forces; examine ways and means to expand and liberalise trade relations.

Cover co-operation on trade-related issues such as technical and other barriers to trade, information on foreign trade, competition, trade in services, public procurement markets and intellectual property rights.

Aim to improve conditions for the implementation of private sector co-operation projects.

The parties meet in a Joint Committee to review their co-operation on trade and related matters and to discuss any other issue of mutual interest. The Joint Committees may formulate appropriate recommendations on the co-operation.

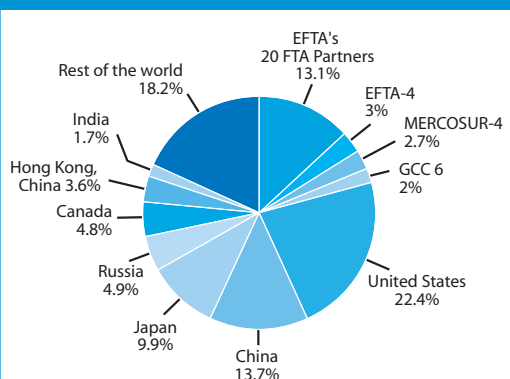
EFTA has signed JDCs with: Albania, Algeria, Colombia, the Gulf Co-operation Council (GCC, comprising Bahrain, Kuwait, the Sultanate of Oman, Qatar, Saudi Arabia, and the United Arab Emirates), Southern Common Market (MERCOSUR, comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela), Peru, Serbia and Ukraine.



16

Fig. 3

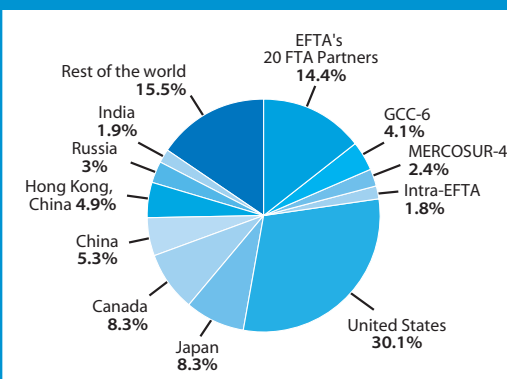
Merchandise trade: EFTA's top import sources (excluding EU-25): 2005



Source: GTI, Global Trade Atlas (October 2006)

Fig. 4

Merchandise trade: EFTA's top export destinations (excluding EU-25): 2005



Source: GTI, Global Trade Atlas (October 2006)

Technical Assistance

Technical assistance is part of some of EFTA's FTAs. Its main aim is to assist new free trade partners in the implementation of their FTAs with EFTA and to provide them with the necessary capacity to benefit from preferential access to the EFTA markets. Capacity-building, training, and transfer of know-how in trade-related matters are at the core of technical assistance activities. Projects that deal with infrastructure development or financial assistance are not part of EFTA's technical assistance.

To make the best use of resources available and to focus on areas where EFTA can provide optimal expertise, EFTA technical assistance centres on: technical standards, intellectual property, fisheries, origin rules and general customs procedures, services, promotion of exports towards the EFTA States and organisational training vis-à-vis new multilateral trade bodies. Nevertheless, the EFTA policy is flexible and all requests for assistance from partner countries are analysed on their individual merit and in accordance with the guidelines set by the EFTA Council.

European Standardisation

The EFTA countries and the European Commission closely co-operate on creating and implementing a European standardisation policy. This includes parallel financing of standards-related work carried out by the European Standards Organisations: the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standardisation Institute (ETSI).



EFTA's main trading partners in merchandise trade: 2005 (in million USD and %) Fig. 5

| Rank | Country | Total trade | Share (%) in world total | Export | Import |
|------|------------------------------|----------------|-----------------------------|----------------|----------------|
| | World | 424 171 | 100 | 237 654 | 186 517 |
| 1 | Free Trade Partners | 328 377 | 77.42 | 178 956 | 149 421 |
| | EU-25 | 309 927 | 73.07 | 167 619 | 142 308 |
| | EFTA's 20 FTA Partners | 15 858 | 3.74 | 10 086 | 5 772 |
| | Intra-EFTA | 2 592 | 0.61 | 1 251 | 1 341 |
| 2 | United States ⁽¹⁾ | 31 650 | 7.46 | 21 281 | 10 368 |
| 3 | Japan | 10 202 | 2.41 | 5 839 | 4 363 |
| 4 | China | 9 750 | 2.30 | 3 706 | 6 044 |
| 5 | Canada | 7 926 | 1.87 | 5 787 | 2 139 |
| 6 | Hong Kong, China | 5 032 | 1.19 | 3 444 | 1 588 |
| 7 | Russia | 4 267 | 1.01 | 2 109 | 2 158 |
| 8 | GCC-6 | 3 740 | 0.88 | 2 851 | 889 |
| 9 | MERCOSUR-4 | 2 883 | 0.68 | 1 674 | 1 209 |
| 10 | Chinese Taipei | 2 199 | 0.52 | 1 213 | 986 |
| 11 | India | 2 071 | 0.49 | 1 309 | 762 |
| 12 | Thailand | 1 643 | 0.39 | 845 | 798 |
| 13 | Australia | 1 564 | 0.37 | 1 344 | 220 |
| 14 | Libya | 1 235 | 0.29 | 156 | 1 079 |
| 15 | Malaysia | 919 | 0.22 | 520 | 399 |
| 16 | Iran | 690 | 0.16 | 633 | 57 |
| 17 | Nigeria | 651 | 0.15 | 194 | 457 |
| 18 | Indonesia | 576 | 0.14 | 317 | 259 |
| 19 | Ukraine | 537 | 0.13 | 434 | 103 |
| 20 | Egypt | 426 | 0.10 | 370 | 56 |
| 21 | Pakistan | 404 | 0.10 | 309 | 95 |
| 22 | Vietnam | 377 | 0.09 | 111 | 266 |
| 23 | Colombia | 375 | 0.09 | 204 | 171 |

Source: GTI, Global Trade Atlas (October 2006)

⁽¹⁾ Including Puerto Rico

THE EEA AGREEMENT

The Agreement on the European Economic Area (EEA), which entered into force on 1 January 1994, brings together the 27 EU Members and the three EFTA countries — Iceland, Liechtenstein and Norway — in a single internal market, referred to as the “Internal Market.”

The EEA Agreement provides for the inclusion of EU legislation that covers the four freedoms — the free movement of goods, services, capital and persons — throughout the 30 EEA States. In addition, the Agreement covers co-operation in other important areas such as research and development, education, social policy, the environment, consumer protection, tourism and culture, collectively known as “flanking and horizontal” policies. The Agreement guarantees equal rights and obligations within the Internal Market for citizens and economic operators in the EEA.

What is the EEA Not?

The EEA Agreement does not cover the EU’s:

- Common Agriculture and Fisheries Policies (although the Agreement contains provisions on various aspects of trade in agricultural and fish products);
- Customs Union;
- Common Trade Policy;
- Common Foreign and Security Policy;
- Justice and Home Affairs (even though the EFTA countries are part of the Schengen area) and;
- Monetary Union (EMU).



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The EU's top trading partners in merchandise trade: 2005

(value of merchandise trade in million EUR)

Fig. 6

| Country | Total trade | EU export to | EU import from | In % of EU's external trade |
|---------------|----------------|----------------|----------------|-----------------------------|
| United States | 414 230 | 251 290 | 162 940 | 18.4% |
| EFTA | 255 290 | 119 260 | 136 030 | 11.3% |
| China | 209 790 | 51 750 | 158 040 | 9.3% |
| Russia | 163 140 | 56 400 | 106 740 | 7.2% |
| Japan | 116 690 | 43 650 | 73 040 | 5.2% |

Source: Eurostat

The EU's top trading partners in trade in services: 2005

(in million EUR)

Fig. 7

| Country | EU exports to | EU imports from | Balance |
|-----------------------------|-------------------|-------------------|-------------------|
| Extra EU-25 | 406 292.085 | 349 356.693 | 56 935.392 |
| United States | 122 872.112 | 115 967.028 | 6 905.085 |
| EFTA | 65 856.093 | 47 584.012 | 18 272.081 |
| Japan | 19 968.839 | 11 871.187 | 8 097.652 |
| Russian Federation | 11 444.366 | 8 124.636 | 3 319.729 |
| China (excluding Hong Kong) | 11 108.783 | 8 847.904 | 2 260.879 |

Source: Eurostat

The EU's merchandise trade with EFTA (excluding intra-EU-25 trade): 2005

(value of merchandise trade in million EUR and %)

Fig. 8

| Country | EU imports from | Annual % change | Share in total EU imports | EU exports to | Annual % change | Share in total EU exports | Balance | Imports+ exports |
|---------------|-----------------|-----------------|---------------------------|---------------|-----------------|---------------------------|---------|------------------|
| EFTA-4 | 136 237 | 13.9% | 11.5% | 119 276 | 9.8% | 11.1% | -16 961 | 255 513 |
| Iceland | 1 779 | 0.8% | 0.2% | 2 544 | 35.4% | 0.2% | 765 | 4 323 |
| Liechtenstein | 1 046 | 3.5% | 0.1% | 1 029 | 1.4% | 0.1% | -17 | 2 075 |
| Norway | 67 046 | 21.4% | 5.7% | 33 759 | 10.0% | 3.1% | -33 287 | 100 805 |
| Switzerland | 66 366 | 7.7% | 5.6% | 81 944 | 9.2% | 7.6% | 15 578 | 148 310 |

Source: Eurostat

Decision-making

Whenever an Internal Market-related EU act is amended or a new one adopted by the EU, the contracting parties assess its EEA relevance with a view to amending the applicable annex to the EEA Agreement in order to bring the Agreement as close as possible to EU legislation. This permits harmonious development of law in the EEA, i.e., both within the EU and the EEA EFTA States. However, both parties to the Agreement can request for consultation on matters of concern, and negotiate adaptations to the EU legislation in question.

The EEA Agreement does not transfer any legislative powers from any of the contracting parties and does therefore not impose direct effect of EU legislation in the EEA EFTA States. The adoption of EEA rules is conducted in the EEA institutions set up by the Agreement. The EEA EFTA States then incorporate the EEA rules into national law.

Participation in Programmes

Every year, more than 1 500 organisations, public bodies and entities in the EEA EFTA States participate in the numerous EU programmes. The programmes, projects and networks range from youth exchange programmes and research to public health and development of digital content. More than 15 000 students from Iceland, Liechtenstein and Norway have studied abroad through the Erasmus programme, while many cultural institutions participate in film, theatre or musical projects through the Culture programme. In 2006, EEA EFTA nationals participated in 35 EU programmes. In the period 2007-2013 a whole range of new programmes will start up. The EEA EFTA countries will make a substantial financial contribution to these new programmes, estimated to more than EUR 150 000 000 in 2007, and increasing to more than

EUR 280 000 000 in 2013. Switzerland will also participate in many of the programmes (FP7, CIP, Lifelong Learning and Media) through its bilateral agreements with the EU.

Participation in EU Agencies

The EEA EFTA States also participate in seven EU agencies:

- European Environment Agency
- European Medicines Agency
- European Aviation Safety Agency
- European Centre for Disease Prevention and Control
- European Railway Agency
- European Network and Information Security Agency

Three agencies on aviation, chemicals and gender are currently under consideration by the EEA EFTA Member States. For a fully updated listing of available programmes and agencies, refer to EFTA's Webpage.

Decision-shaping

The EEA EFTA States do not have the right to vote in the political decision-making within EU institutions. However, the EEA Agreement provides the EEA EFTA States with the opportunity to contribute to the shaping of EU legislation at the preparatory stage by participating in the European Commission's experts groups and comitology committees. Experts groups are formed to advise and assist the Commission with the drafting of new laws, which the EU Council of Ministers and the European Parliament subsequently adopt.

The participation of EEA EFTA experts and representatives in over 500 such committees and experts groups is a valuable and much appreciated opportunity for acquiring information and contributing to new legislative proposals at the earliest stages of policy formation.

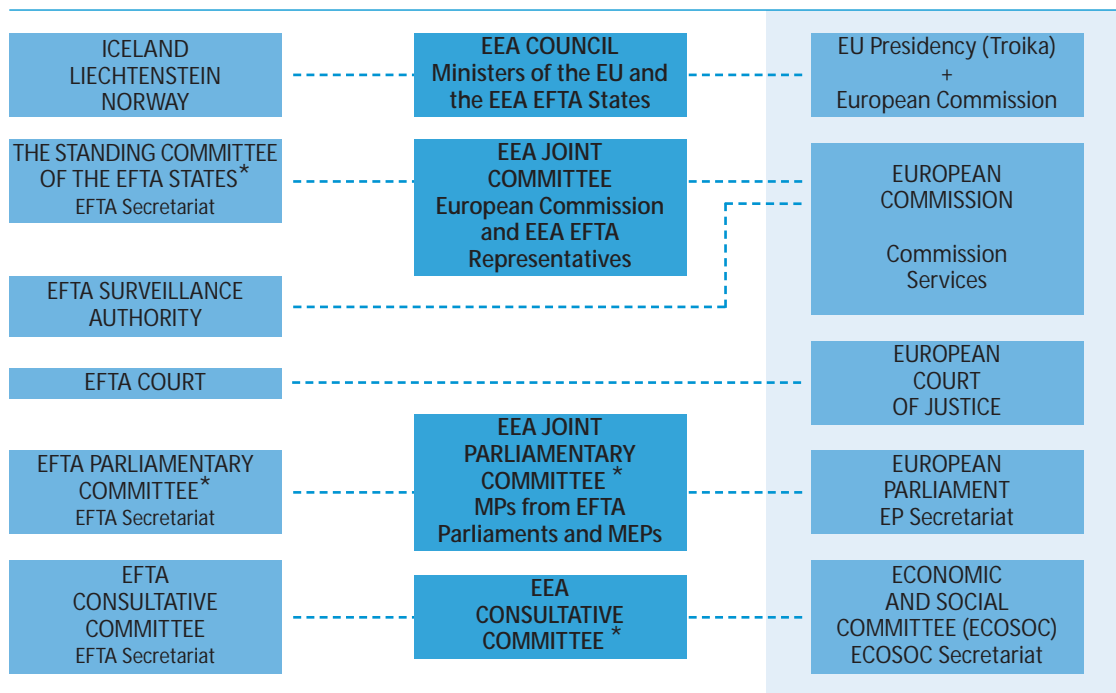


19

List of key EU programmes 2007- 2013 (in million EUR)

| EU Programme | Total programme budget |
|---|------------------------|
| 7 th Research Framework Programme (FP 7) | 54 582.1 |
| Lifelong Learning (LLL) | 6 970.0 |
| Competitiveness and Innovation Programme (CIP) | 3 621.3 |
| Media 2007 | 756.2 |
| Youth in action | 885 |
| Employment and social solidarity (Progress) | 743.3 |
| Marco Polo II | 450.0 |
| Culture 2007 | 400 |
| Public health | 365.6 |
| Consumer protection | 156.8 |
| Rapid response instrument for major emergencies | 133.8 |
| Daphne III: Combating violence | 116.9 |

The Two-Pillar EEA Structure



* Switzerland is an observer

This figure illustrates the management of the EEA Agreement. The left pillar shows the EFTA States and their institutions, while the right pillar shows the EU side. The joint EEA bodies are in the middle.

Joint EEA Bodies

The EEA Council

The EEA Council is composed of EEA EFTA foreign ministers, the EU is represented by foreign ministers in the troika format (past, present and future EU Council Presidencies), the European Commissioner for External Relations and the High Representative for the EU's Common Foreign and Security Policy.

The EEA Council meets twice a year and provides political impetus for the development of the Agreement and guidelines for the EEA Joint Committee.

The EEA Joint Committee

The EEA Joint Committee is responsible for the day-to-day management of the EEA Agreement. It is a forum in which views are exchanged and decisions taken by consensus to incorporate EU legislation in the EEA Agreement. The Joint Committee is made up of Ambassadors of the EEA EFTA States to the EU and representatives of the European Commission and meet monthly.

The EEA Joint Parliamentary Committee

The EEA Joint Parliamentary Committee is an advisory body that comprises members of the national parliaments of the EEA EFTA States and Members of the European Parliament (MEPs). It is not directly included in the EEA decision-making process, but through reports and resolutions it aims to scrutinise the decisions taken in the EEA JC.

The EEA Consultative Committee

The EEA Consultative Committee is an advisory body made up of members of the EFTA Consultative Committee and the European Economic and Social Committee. The Committee works to strengthen contacts between the social partners on both sides and to co-operate in an organised and regular manner to enhance awareness and provide input on the economic and social aspects of the EEA.

EEA EFTA Bodies

The Standing Committee of the EFTA States

The Standing Committee of the EFTA States serves as a forum in which the EEA EFTA States consult one another and arrive at a common position before meeting with the EU in the EEA Joint Committee. It is made up of the Ambassadors of Norway, Iceland and Liechtenstein to the EU and observers from Switzerland and the EFTA Surveillance Authority. The Committee's sub-structure consists of five subcommittees, under which there are several working groups.

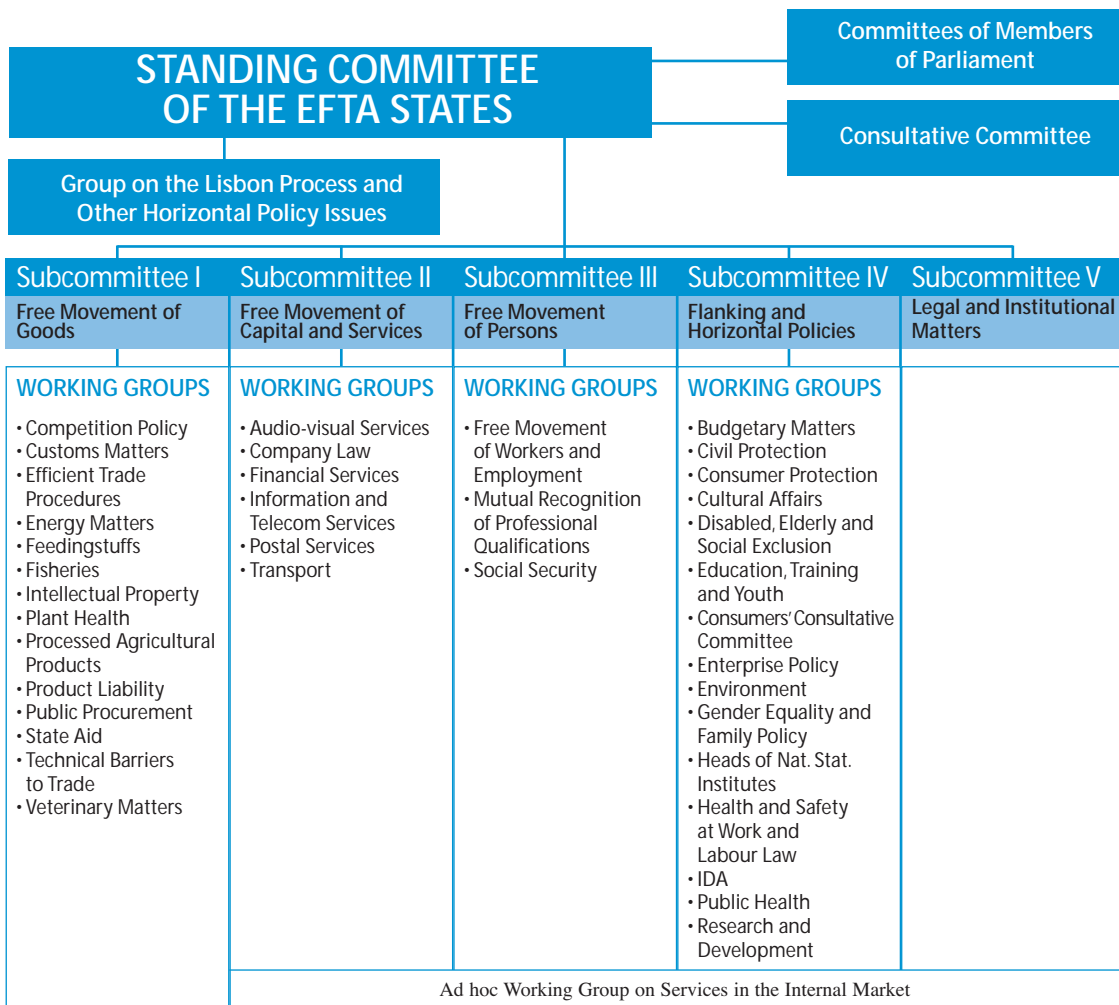
The EFTA Surveillance Authority

Located in Brussels, the EFTA Surveillance Authority ensures that Iceland, Liechtenstein and Norway respect their obligations under the EEA Agreement, just like the EU Member States are supervised by the European Commission. It also

ensures that enterprises in these countries abide by the rules relating to effective competition. The Authority can investigate possible infringements of EEA provisions, either on its own initiative, or on the basis of complaints. There is close contact and co-operation between the Commission and the Authority.

The EFTA Court

The EFTA Court, based in Luxembourg, corresponds to the Court of Justice of the European Communities in matters relating to the EEA EFTA States. The Court deals with infringement actions brought by the EFTA Surveillance Authority against an EFTA State with regard to the implementation, application or interpretation of an EEA rule. The Court also handles the settlement of disputes between two or more EFTA States. It also hears appeals against decisions taken by the EFTA Surveillance Authority and gives advisory opinions to courts in the EFTA States on the interpretation of EEA rules.



Financial Mechanisms

Through the Financial Mechanisms Office (FMO) in Brussels, the EEA EFTA States actively participate in the reduction of economic and social disparities between the regions of the EEA.

The EEA Financial Mechanism 1994-98

The first Financial Mechanism entered into force on 1 January 1994 and was open for commitments until 31 December 1998. The last disbursements were made in January 2006 and the fund will be closed in 2007. The decisions on the allocation of funds were made by the Financial Mechanism Committee representing the funding parties.

The EEA Financial Instrument 1999-2003

The Financial Instrument made 119.6 million euros entirely in the form of grants available for projects in Greece, Ireland, Northern Ireland, Portugal and Spain.

The EEA Financial Mechanism and the Norwegian Financial Mechanism 2004-2009

The EEA Financial Mechanism and the Norwegian Financial Mechanism were established as part of the EEA Enlargement Agreement when 10 new Member States joined the EU in May 2004.

Beneficiary States and EEA EFTA Contributions

Through the Financial Mechanisms, the three EEA EFTA States make available a total 1.17 billion euros over a five-year period to Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, Slovenia, and Spain. The EEA Financial Mechanism will make 600 million euros available for commitments in annual tranches of 120 million euros over the 2004-2009 period, while the Norwegian Financial Mechanism will make available 567 million euros for commitments in annual tranches of 113.4 million euros over the same period.

Priority Sectors

In the negotiations leading to the enlargement of the EEA, the EEA EFTA States, the government of Norway and the European Commission agreed on a list of priority sectors, within which grants are to be made available. Both Mechanisms provide grants in the following sectors:

- protection of the environment;
- promotion of sustainable development;
- conservation of European cultural heritage;
- human resources development;
- health and childcare.

Academic research may also be eligible for funding in so far as it targets one or more of the priority sectors.

In addition to those listed above, the Norwegian Financial Mechanism also gives priority to and grants in the following sectors:

- implementation of Schengen acquis;
- protection of the environment with emphasis on strengthening the administrative capacity;
- regional development and cross-border co-operation;
- assistance in the implementation of EU legislation;
- regional policy and cross-border activities;
- technical assistance relating to the implementation of *acquis communautaire*.

Flexible Forms of Project Assistance

The Financial Mechanisms offer several different types of assistance to allow end-recipients in the beneficiary states more flexibility and greater possibilities. Assistance may be awarded in the form of individual projects, programmes (groups of projects) or as specific types of grant assistance, namely block grants or seed money. The different types of assistance are described in the Rules and Procedures of the Financial Mechanisms and in separate guidelines that have been adopted by the EEA Financial Mechanism Committee in the case of the EEA Financial Mechanism, or by the Norwegian Ministry of Foreign Affairs in the case of the Norwegian Financial Mechanism.

Beneficiary States Play the Key Role

In each beneficiary state a national Focal Point is set up as the coordinating authority for the national-level implementation of the financial mechanisms. Potential project promoters can contact the Focal Point in their country with inquiries and submit project applications for support from the mechanisms. The Focal Point coordinates all applications and follows up on all projects within their country.

The EEA Financial Mechanism and the Norwegian Financial Mechanism are administered by the Financial Mechanism Office (FMO), which is affiliated to the EFTA Secretariat in Brussels. The FMO is responsible for the day-to-day running of the two mechanisms and applications are forwarded to the FMO for a thorough appraisal following a first evaluation done by the national Focal Points.

The implementation of the financial mechanisms is well on track, and the mosaic of projects supported by the EEA grants in central and eastern Europe is growing both larger and denser at a fast clip. The beneficiary states have already made available close to two-thirds of the assistance earmarked to individual projects in the 2004-2009 commitment period. By the end of February, applications for a total value of close to EUR 500 million, or close to half of the total net amount made available to the 13 beneficiary states, had been forwarded for appraisal by the FMO and screening by the European Commission for compatibility with EU objectives. On the donor side, around 150 applications for about EUR 250 millions had been approved, which is more than one-fifth of the total net available amount of around EUR 1.11 billion euros available to the 13 beneficiary states in central and southern Europe.



Bulgaria and Romania



Successful negotiations. On 29 March, 2007 the EEA EFTA Member States, together with the Commission, Romania and Bulgaria, signed the agreed minutes of the negotiations on EEA enlargement.

Under the new agreement, a total of EUR 72 million will be channelled through the EEA Financial

Mechanism to the new Member States Bulgaria and Romania during the next two years. In addition, Norway will contribute a total of EUR 68 million in bilateral cooperation programmes. These bilateral programmes are a new feature compared to the existing EEA Financial Mechanism, and will be coordinated by Norway.

EFTA INSTITUTIONS

The EFTA Council

The EFTA Council manages relations between the EFTA States under the EFTA Convention. It is the forum in which the Member States consult, negotiate and act together. The Council's policy-making mandate is broad. The policies are designed to promote the overall objectives of the Association and to facilitate the development of links with other States, unions of States and international organisations. The Council is also responsible for administrative and budgetary matters within EFTA.

The Council normally meets at ministerial level twice a year. This gives the ministers the possibility to deliberate together in formal and informal settings and to provide direct political guidance to EFTA's work. They meet in June to discuss both free trade and the EEA Agreement. If required, an additional meeting exclusively devoted to free trade is held at the end of the year. Between the ministerial meetings the Council meets monthly at ambassadorial level.

A number of specialised committees and experts groups assist and report directly to the Council. The Committee on Third-Country Relations, for instance,

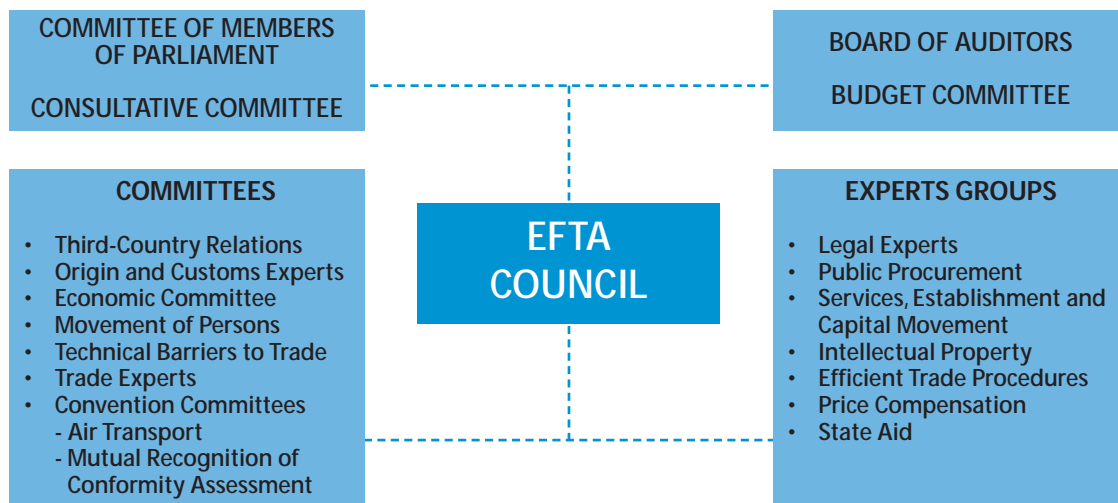
oversees the functioning and development of free trade and co-operation agreements with third countries. The Committee on Customs and Origin Matters oversees co-operation in the customs field. The Board of Auditors is the supreme auditing authority for the EFTA Secretariat, the EFTA Surveillance Authority and the EFTA Court. It also serves as a point of contact with the Court of Auditors for the auditing of EEA EFTA contributions to the EU budget. The Budget Committee assists the Council on EFTA budgetary matters.

A number of committees manages the updating of the EFTA Convention.

EFTA Advisory Bodies

The EFTA Consultative Committee (comprising of representatives of industry and labour) and the EFTA Parliamentary Committee (comprising of members from the EFTA parliaments), work to advise the Council on current EFTA affairs. Both Committees have formal links with their colleagues in the EU ("The Two-Pillar EEA Structure" p. 20). Occasionally, they also meet with their counterparts in countries with which EFTA has free trade agreements.

The EFTA Council Structure



Managing the EFTA Secretariat

The day-to-day running of the Secretariat is headed by the Secretary-General, who is assisted by two Deputy Secretaries-General, one located in Geneva and the other in Brussels. The three posts are shared between the Member States.

The division of the Secretariat reflects the division of EFTA's activities. The Secretariat employs approximately 100 staff members, of whom one third are based in Geneva and two thirds in Brussels and Luxembourg.

All Secretariat staff members are employed on three-year contracts, renewable once. While working at the Secretariat, staff members are servants of the Association and therefore not responsible to their national governments.

The Headquarters in Geneva deal with the management and negotiation of free trade agreements with non-EU countries, and provide support to the EFTA Council.

In Brussels, the Secretariat provides support for the management of the EEA Agreement and assists the Member States in the preparation of new legislation for integration into the EEA Agreement. The Secretariat also assists the Member States in the elaboration of input to EU decision-making.

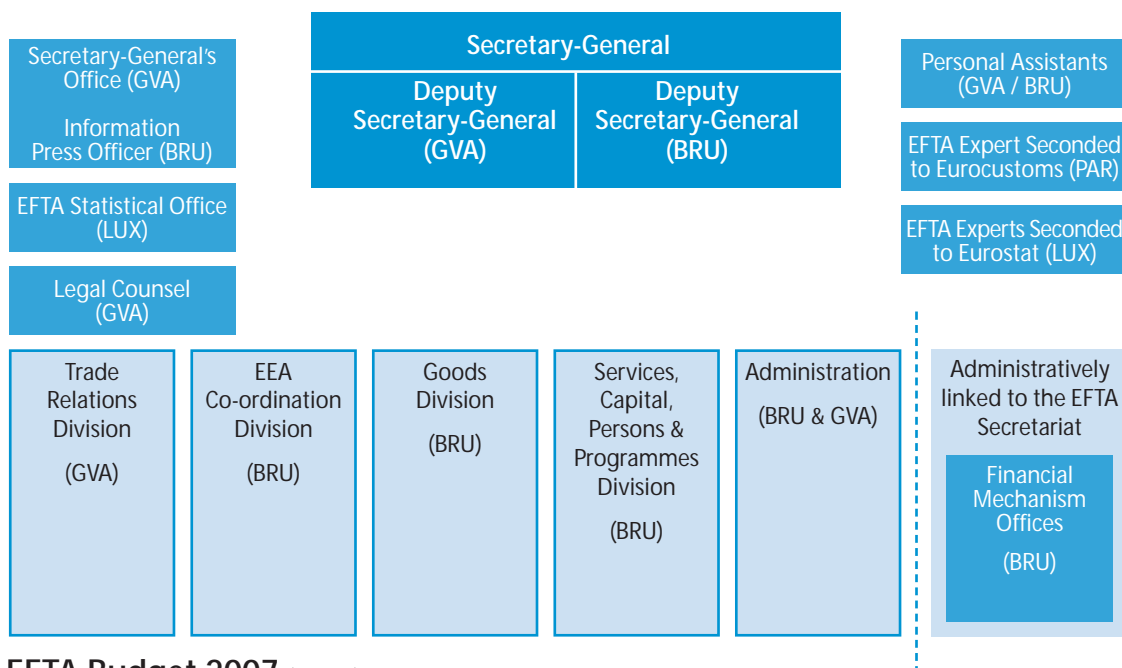
The two duty stations work closely together to implement the Vaduz Convention's stipulations on the intra-EFTA free trade area.

The Statistical Adviser's Office in Luxembourg contributes to the development of a broad and integrated European Statistical System.



The Secretaries-General troika of EFTA, who took up office on 1 September 2006: Didier Chambovey, Deputy Secretary-General in Geneva, Kåre Bryn, Secretary-General, and Lilja Viðarsdóttir, Deputy Secretary-General in Brussels, who sadly passed away in March 2007.

Organisational Chart



EFTA Budget 2007 (in CHF)

| Budget posts | Budget 2007 |
|--|-------------------|
| Council Activities | 1 003 955 |
| Managing and developing free trade relations with non-EU countries | 3 387 357 |
| Managing and developing the EEA Agreement | 8 084 655 |
| Statistical co-operation in Luxembourg | 862 557 |
| Organisation management | 2 436 335 |
| Administration | 3 560 393 |
| Information activities | 1 251 368 |
| Co-operation programmes | 3 441 228 |
| Total EFTA Secretariat | 24 027 848 |

Contributions to the EFTA Budget 2007

| Member State | Contribution | Total in % |
|---------------|-------------------|---------------|
| Iceland | 1 022 193 | 4.25 |
| Liechtenstein | 242 757 | 1.01 |
| Norway | 12 785 704 | 53.21 |
| Switzerland | 9 977 194 | 41.52 |
| Total | 24 027 848 | 100.00 |

EFTA IN FIGURES

EFTA's merchandise trade with the world and the EU: 2005

(value of merchandise trade in million EUR and %)

Fig. 9

| Country | Total trade with world | Import | Export | Total trade with EU | % | Import | Export |
|-------------|------------------------|---------|---------|---------------------|------|--------|--------|
| Norway | 127 409 | 44 250 | 83 159 | 97 730 | 76.7 | 30 605 | 67 125 |
| Switzerland | 202 983 | 100 486 | 102 496 | 147 027 | 72.4 | 81 372 | 65 655 |
| Iceland | 6 181 | 3 686 | 2 495 | 4 330 | 70.1 | 2 476 | 1 855 |

Sources: National Statistical Offices and Eurostat

Leaders in world merchandise trade (excluding intra-EU-25 trade): 2005

(value of merchandise trade in billion USD and %)

Fig. 10

| Rank | Country | Total | Share in world total | Exports | Imports |
|------|--|-----------------|----------------------|----------------|----------------|
| 1 | Extra-EU-25 | 2 790.8 | 17.6% | 1 328.3 | 1 462.5 |
| 2 | United States | 2 636.8 | 16.6% | 904.4 | 1 732.4 |
| 3 | China | 1 422.0 | 9.0% | 762.0 | 660.0 |
| 4 | Japan ^[2] | 1 109.8 | 7.0% | 594.9 | 514.9 |
| 5 | Canada | 679.1 | 4.3% | 359.4 | 319.7 |
| 6 | Hong Kong, China | 592.3 | 3.7% | 292.1 | 300.2 |
| | domestic exports/retained imports ^[1] | 48.2 | 0.3% | 20.1 | 28.1 |
| | re-exports | 272.1 | 1.7% | 272.1 | |
| 7 | Korea, Republic of | 545.6 | 3.4% | 284.4 | 261.2 |
| 8 | Mexico | 445.4 | 2.8% | 213.7 | 231.7 |
| 9 | Singapore | 429.6 | 2.7% | 229.6 | 200.0 |
| | domestic exports/retained imports ^[1] | 219.4 | 1.4% | 124.5 | 94.9 |
| | re-exports | 105.1 | 0.7% | 105.1 | |
| 10 | EFTA | 424.8 | 2.7% | 237.8 | 187.0 |
| 11 | Chinese Taipei | 380.4 | 2.4% | 197.8 | 182.6 |
| 12 | Russian Federation ^[2] | 368.9 | 2.3% | 243.6 | 125.3 |
| 13 | Malaysia | 255.5 | 1.6% | 140.9 | 114.6 |
| 14 | Saudi Arabia ^[3] | 240.8 | 1.5% | 181.4 | 59.4 |
| 15 | Australia ^[2] | 231.1 | 1.5% | 105.8 | 125.3 |
| 16 | India | 229.9 | 1.4% | 95.1 | 134.8 |
| 17 | Thailand | 228.3 | 1.4% | 110.1 | 118.2 |
| 18 | United Arab Emirates ^[3] | 196.2 | 1.2% | 115.5 | 80.7 |
| 19 | Brazil | 195.9 | 1.2% | 118.3 | 77.6 |
| 20 | Turkey | 190.0 | 1.2% | 73.4 | 116.6 |
| 21 | Indonesia | 155.7 | 1.0% | 86.2 | 69.5 |
| 22 | South Africa | 114.2 | 0.7% | 51.9 | 62.3 |
| 23 | Iran, Islamic Republic of | 92.2 | 0.6% | 56.3 | 35.9 |
| 24 | Israel ^[3] | 89.8 | 0.6% | 42.7 | 47.1 |
| 25 | Philippines | 88.7 | 0.6% | 41.3 | 47.4 |
| | Total of above ^[4] | 14 778.5 | 93.1% | 7 388.6 | 7 389.9 |
| | World (excl. intra-EU-25)^[4] | 15 868.0 | 100.0% | 7 758.0 | 8 110.0 |

Source: WTO Secretariat

^[1] Retained imports are defined as imports less re-exports

^[2] Imports are valued free on board

^[3] WTO Secretariat estimates

^[4] Includes significant re-exports or imports for re-export



Leaders in world commercial services trade (excluding intra-EU-25 trade): 2005

(value of commercial services trade in billion USD and %)

Fig. 11

| Rank | Country | Total | Share in world total | Exports | Imports |
|--|-------------------------------------|---------|----------------------|---------|---------|
| 1 | Extra-EU-25 | 902.7 | 25.8% | 480.3 | 422.4 |
| 2 | United States | 635.2 | 18.1% | 354.0 | 281.2 |
| 3 | Japan ^[1] | 240.5 | 6.9% | 107.9 | 132.6 |
| 4 | China | 157.1 | 4.5% | 73.9 | 83.2 |
| 5 | EFTA | 129.2 | 3.7% | 74.3 | 54.9 |
| 6 | Canada | 116.4 | 3.3% | 52.2 | 64.2 |
| 7 | India | 108.3 | 3.1% | 56.1 | 52.2 |
| 8 | Korea, Republic of | 101.6 | 2.9% | 43.9 | 57.7 |
| 9 | Hong Kong, China | 94.6 | 2.7% | 62.2 | 32.4 |
| 10 | Singapore | 89.1 | 2.5% | 45.1 | 44.0 |
| 11 | Russian Federation | 62.8 | 1.8% | 24.3 | 38.5 |
| 12 | Chinese Taipei | 57.0 | 1.6% | 25.6 | 31.4 |
| 13 | Australia | 56.6 | 1.6% | 27.7 | 28.9 |
| 14 | Thailand | 48.0 | 1.4% | 20.5 | 27.5 |
| 15 | Malaysia | 40.6 | 1.2% | 19.0 | 21.6 |
| 16 | Brazil | 37.2 | 1.1% | 14.9 | 22.3 |
| 17 | Mexico | 36.9 | 1.1% | 16.0 | 20.9 |
| 18 | Turkey | 36.3 | 1.0% | 25.6 | 10.7 |
| 19 | Indonesia ^[2] | 30.7 | 0.9% | 7.5 | 23.2 |
| 20 | Israel | 30.2 | 0.9% | 16.8 | 13.4 |
| 21 | Egypt | 24.5 | 0.7% | 15.0 | 9.5 |
| 22 | South Africa | 21.5 | 0.6% | 10.0 | 11.5 |
| 23 | Saudi Arabia | 20.1 | 0.6% | 5.9 | 14.2 |
| 24 | Lebanon ^[2] | 17.9 | 0.5% | 10.3 | 7.6 |
| 25 | United Arab Emirates ^[2] | 16.2 | 0.5% | n.a. | 16.2 |
| Total of above ^[3] | | 3 111.2 | 88.8% | 1 589.0 | 1 522.2 |
| World (excl. intra-EU-25) ^[3] | | 3 505.0 | 100.0% | 1 775.0 | 1 730.0 |

Source: WTO Secretariat

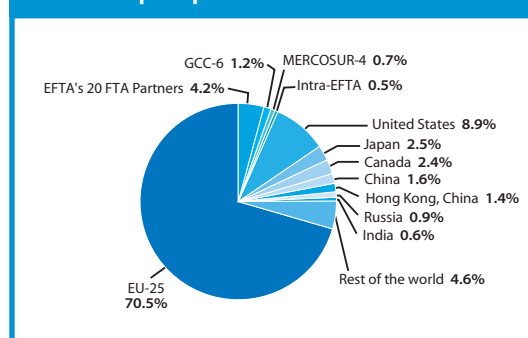
^[1] WTO Secretariat estimates for exports are based on the new methodology by the Bank of Japan

^[2] WTO Secretariat estimates

^[3] Includes significant re-exports or imports for re-export

Fig. 12

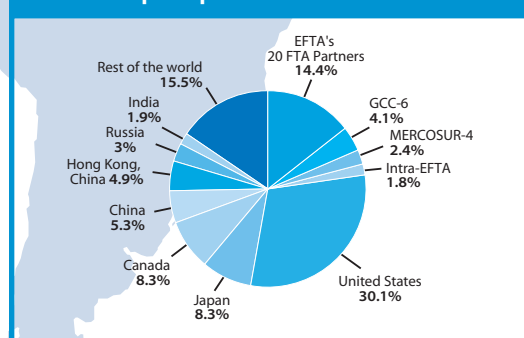
EFTA's top export destinations: 2005



Source: GTI, Global Trade Atlas (October 2006)

Fig. 13

EFTA's top import sources: 2005

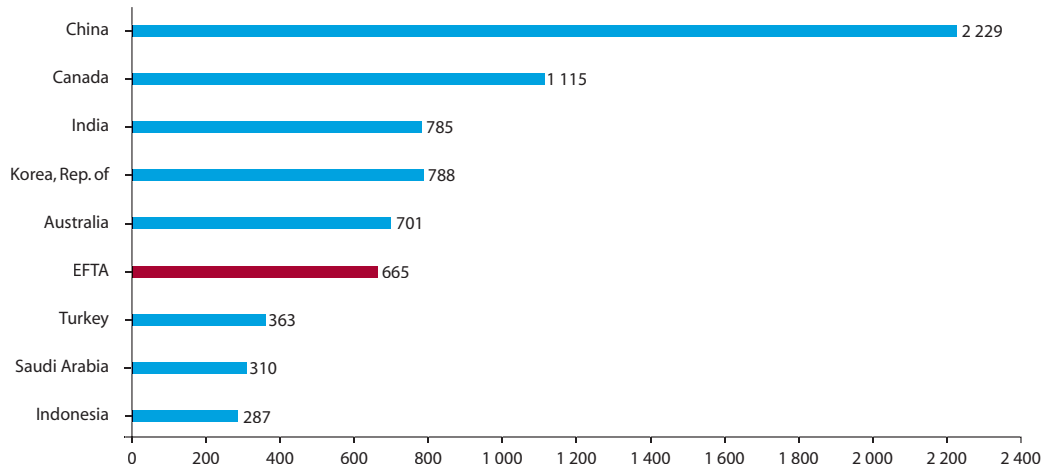


Source: GTI, Global Trade Atlas (October 2006)

GDP of EFTA and selected countries: 2005

(in billion USD)

Fig. 14



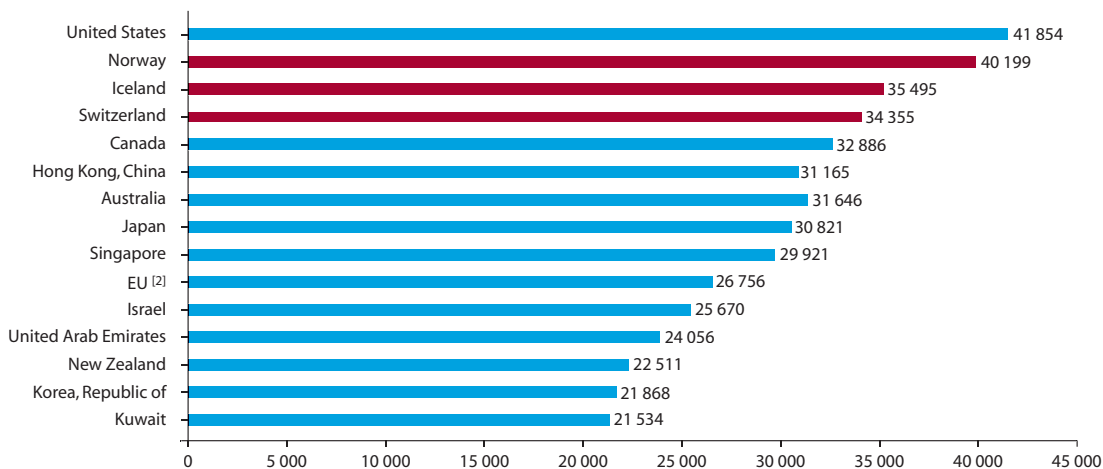
Sources: World Bank, world development indicators



Leaders in GDP per capita (PPP): 2005^[1]

(In USD)

Fig. 15



Source: World Bank

^[1] Counting the EU as one

^[2] Cyprus not included

The EFTA States combine competitiveness ...

World Competitiveness Scoreboards: 2006

IMD

Fig. 16

| Rank | Country |
|---------|-------------|
| 4 (4) | Iceland |
| 8 (8) | Switzerland |
| 12 (15) | Norway |

Source: Institute for Management Development
 * 2005 rankings are in brackets

WEF

Fig. 17

| Rank | Country |
|--------|-------------|
| 1 (8) | Switzerland |
| 12 (9) | Norway |
| 14 (7) | Iceland |

Source: World Economic Forum
 * 2005 rankings are in brackets

... with a high quality of life



UNDP

Fig. 18

| Rank | Country |
|------|---------------|
| 1 | Norway |
| 2 | Iceland |
| 3 | Australia |
| 4 | Ireland |
| 5 | Sweden |
| 6 | Canada |
| 7 | Japan |
| 8 | United States |

| Rank | Country |
|------|-------------|
| 9 | Switzerland |
| 10 | Netherlands |
| 11 | Finland |
| 12 | Luxembourg |
| 13 | Belgium |
| 14 | Austria |
| 15 | Denmark |

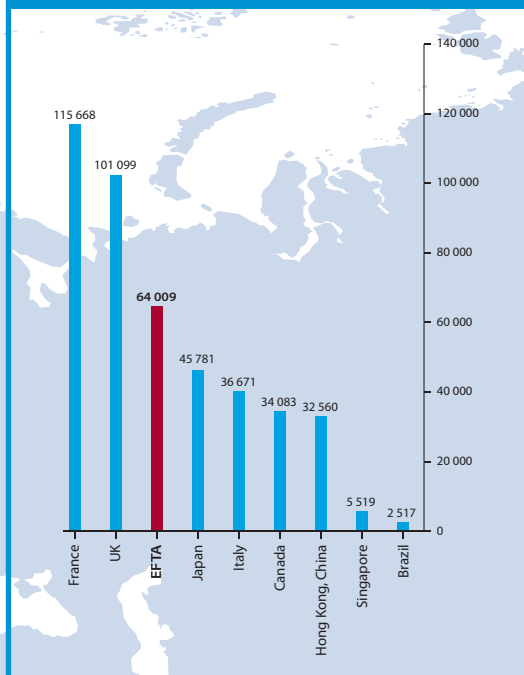
Sources: United Nations Development Programme (UNDP), The 2006 Human Development Report

The Human Development Index (HDI) provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP income). The index is not in any sense a comprehensive measure of human development.

FDI outflows of EFTA and selected countries: 2005

(in million USD)

Fig. 19

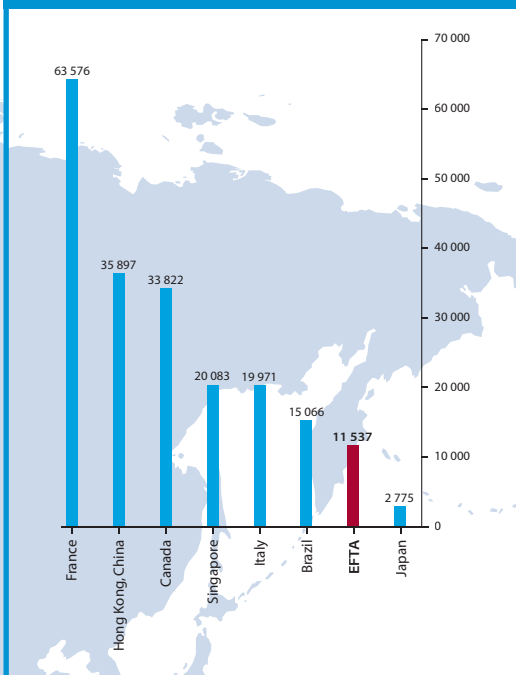


Source: UNCTAD

FDI inflows of EFTA and selected countries: 2005

(in million USD)

Fig. 20

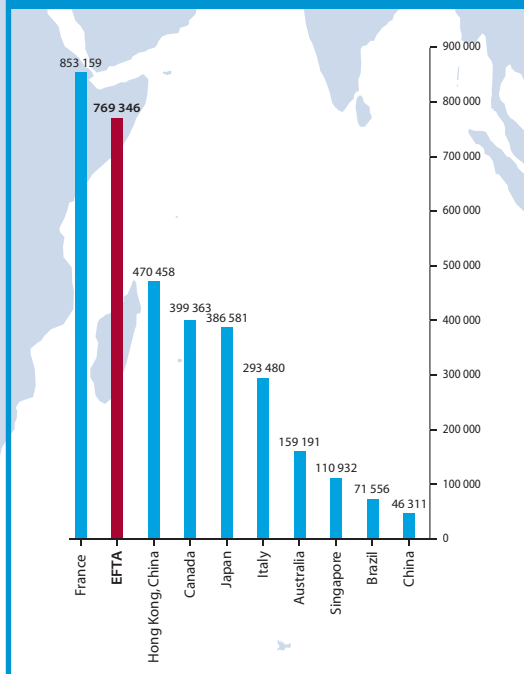


Source: UNCTAD

Outward FDI stocks of EFTA and selected countries: 2005

(in million USD)

Fig. 21

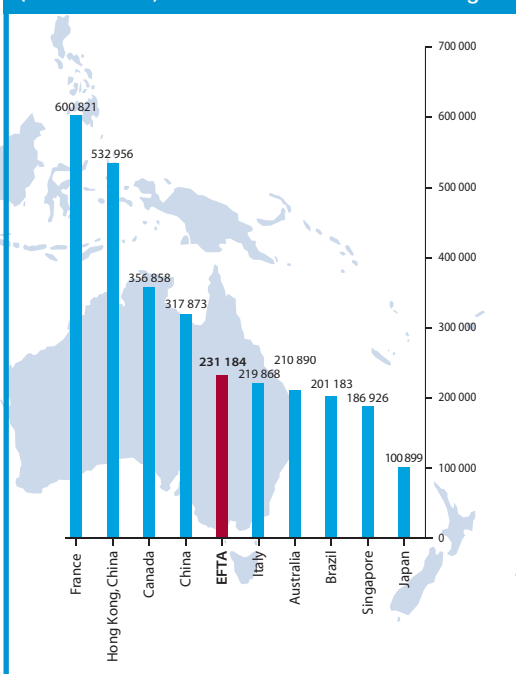


Source: UNCTAD

Inward FDI stocks of EFTA and selected countries: 2005

(in million USD)

Fig. 22



Source: UNCTAD



Top EFTA companies: 2006

Fig. 23

| EFTA rank | Europe rank | World rank | Company | Activity | Market value 2006 (in billion USD) |
|-----------|-------------|------------|---------------------------|---------------------------------|---------------------------------------|
| 1 | 7 (7) | 21 (23) | Novartis | Pharmaceuticals | 146.0 |
| 2 | 8 (12) | 25 (34) | Roche Holding | Pharmaceuticals | 130.5 |
| 3 | 11 (9) | 30 (28) | Nestlé | Food | 119.4 |
| 4 | 12 (13) | 31 (35) | UBS | Banking | 119.2 |
| 5 | 31 (33) | 84 (94) | Credit Suisse Group | Banking | 67.9 |
| 6 | 36 (51) | 93 (142) | Statoil | Oil / Gas | 63.1 |
| 7 | 68 (93) | 185 (265) | Norsk Hydro | Energy / mining | 35.8 |
| 8 | 73 (79) | 200 (222) | Zurich Financial Services | Banking | 33.7 |
| 9 | 97 (159) | 272 (497) | ABB | Electronic & electric equipment | 26.1 |
| 10 | 100 (119) | 283 (371) | Richemont | Watches / jewellery | 25.0 |
| 11 | 111 (90) | 327 (246) | Swiss RE | Insurance | 22.5 |
| 12 | 125 (83) | 383 (231) | Swisscom | Telecom | 19.9 |
| 13 | 134 (125) | 417 (440) | Telenor Group | Telecom | 18.3 |
| 14 | 139 (146) | (463) | DnB Nor | Banking | 18.0 |
| 15 | 168 (170) | (616) | Syngenta | Agritechnology | 14.9 |
| 16 | 193 (158) | (500) | Synthes | Health | 12.6 |
| 17 | 230 (195) | (612) | Adecco | Support services | 10.4 |
| 18 | 234 (256) | | Orkla | Food producer | 10.3 |
| 19 | 236 (240) | (647) | Swatch Group | Watches | 10.2 |
| 20 | 238 (500) | | Julius Baer | General financial | 10.0 |

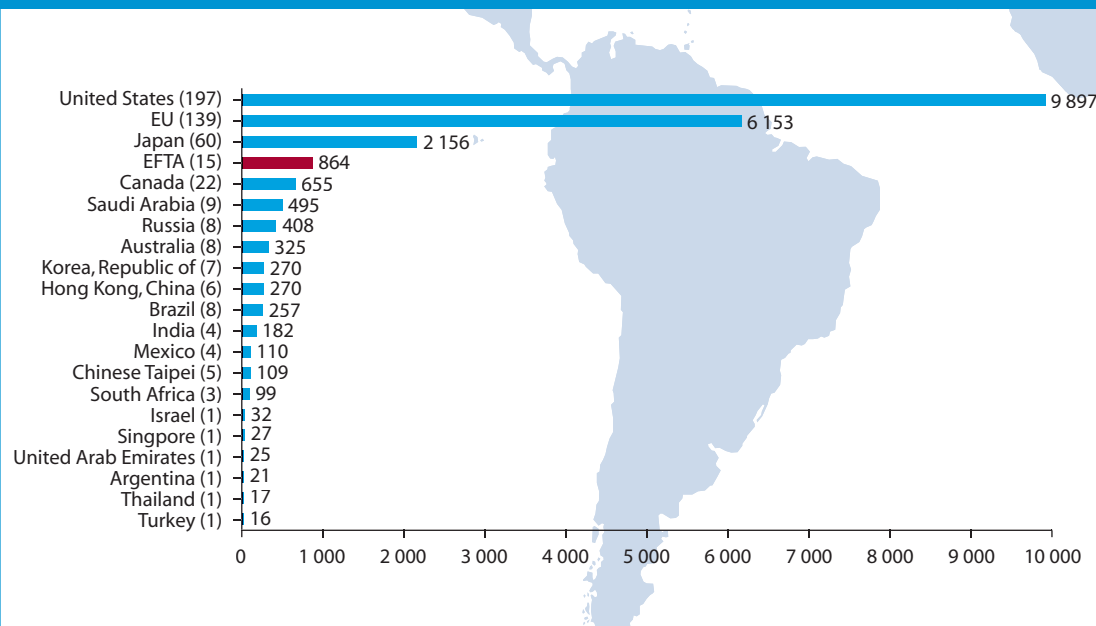
Source: FT Global 500 Survey: 2006

The FT Global top 500 companies survey is based on market values at end March each year; the 2005 rankings are indicated in brackets

Top 500 companies in the world by market cap and by country: 2006

(Country (number of top companies) and market capitalisation in billion USD)

Fig. 24



Source: Financial Times, Global 500, 2006 (market value at 31 March)

Social indicators: 2005

Fig. 25

| | Iceland | Liechtenstein | Norway | Switzerland | EU-25 |
|--|---------|---------------|--------|-------------|---------------------|
| Life Expectancy at Birth - Women | 83.0 | 82.1 | 82.5 | 83.9 | 81.2 ^[1] |
| Life Expectancy at Birth - Men | 79.2 | 78.7 | 77.7 | 78.7 | 75.1 ^[1] |
| Infant Mortality Rate ^[2] (per 1 000 live births) | 2.3 | 2.7 | 3.1 | 4.2 | 4.5 ^[1] |
| Population Growth Rate (in %) | 2.2 | 0.9 | 0.7 | 0.6 | 0.5 |
| Employment Rate (in % of persons aged 15-64 in employment) | 81.9 | 67.6 | 74.5 | 77.2 | 63.8 |
| Women | 77.8 | 57.9 | 72.7 | 70.4 | 56.3 |
| Men | 86.0 | 77.3 | 78.1 | 83.9 | 71.3 |
| Unemployment Rate | 2.6 | 2.5 | 4.6 | 4.4 | 8.7 |

Sources: National Statistical Offices and Eurostat

^[1] EU-25 figures are from 2004

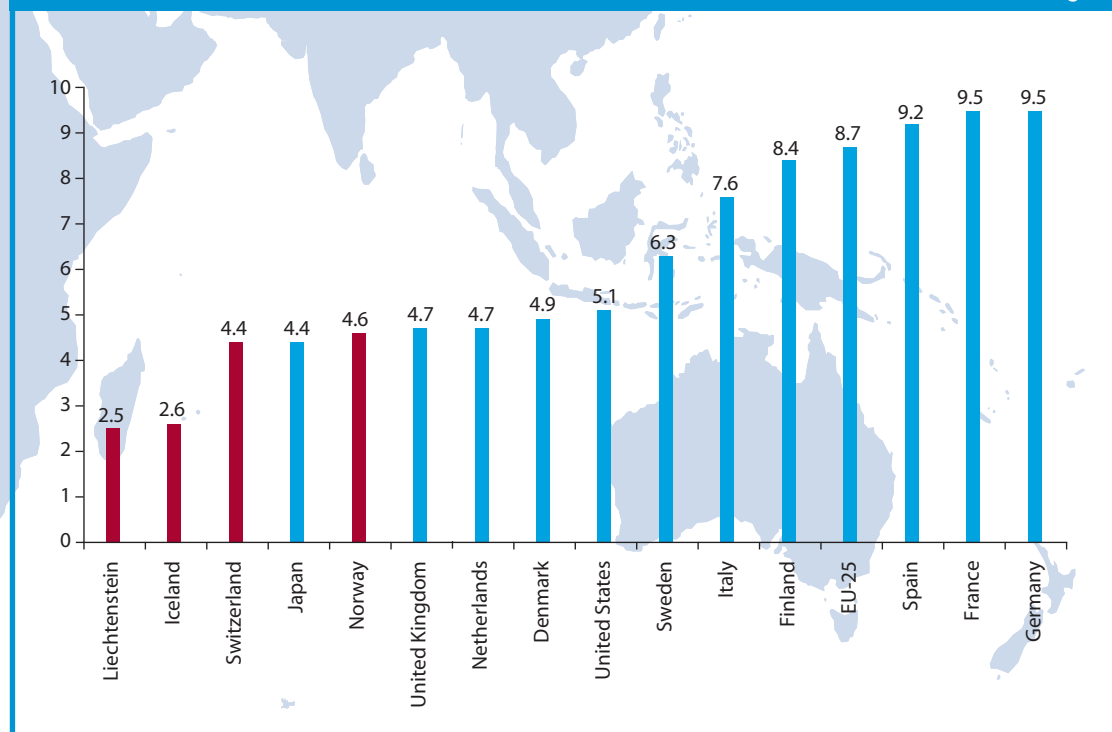
^[2] The ratio of the number of deaths of children under one year of age during the year to the number of live births in that year



Unemployment rates: 2005

(in %)

Fig. 26



Source: Eurostat

EFTA's main trading partners in merchandise trade: 2005

(in million USD and %)

Fig. 27

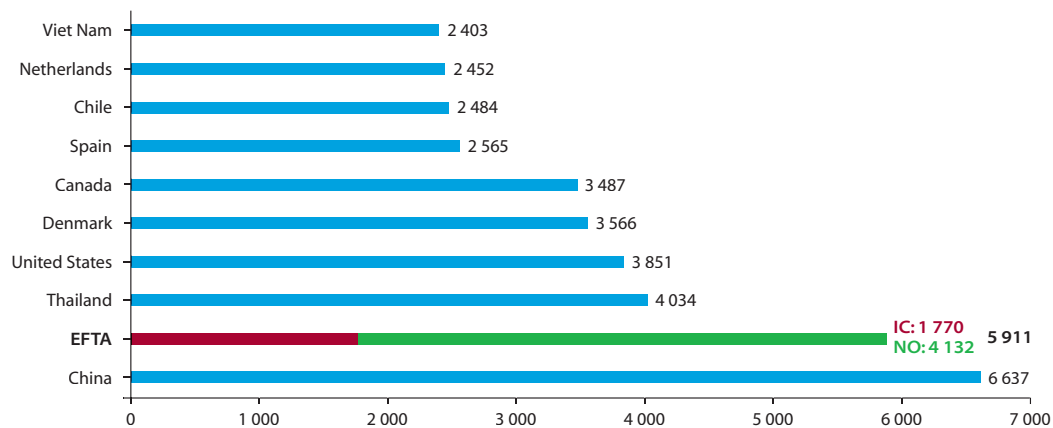
| Rank No | Country | Total trade mn USD | Share % | Exports mn USD | Share % | Rank No | Imports mn USD | Share % | Rank No |
|---------|----------------------|--------------------|---------|----------------|---------|---------|----------------|---------|---------|
| | World | 424 171 | 100 | 237 654 | 100 | n.a. | 186 517 | 100 | n.a. |
| | Free Trade Partners | 325 785 | 76.81 | 177 705 | 74.77 | n.a. | 148 080 | 79.39 | n.a. |
| | EU-25 | 309 926 | 73.07 | 167 618 | 70.53 | n.a. | 142 308 | 76.30 | n.a. |
| 1 | Germany (EU) | 87 006 | 20.51 | 38 996 | 16.41 | 1 | 48 010 | 25.74 | 1 |
| 2 | United Kingdom (EU) | 43 434 | 10.24 | 33 607 | 14.14 | 2 | 9 827 | 5.27 | 5 |
| 3 | France (EU) | 36 165 | 8.53 | 21 111 | 8.88 | 3 | 15 054 | 8.07 | 3 |
| 4 | United States | 31 002 | 7.31 | 21 094 | 8.88 | 4 | 9 908 | 5.31 | 4 |
| 5 | Italy (EU) | 30 143 | 7.11 | 14 898 | 6.27 | 6 | 15 245 | 8.17 | 2 |
| 6 | Netherlands (EU) | 23 614 | 5.57 | 15 132 | 6.37 | 5 | 8 482 | 4.55 | 7 |
| 7 | Sweden (EU) | 17 667 | 4.17 | 8 077 | 3.40 | 7 | 9 590 | 5.14 | 6 |
| 8 | Spain (EU) | 12 545 | 2.96 | 8 041 | 3.38 | 8 | 4 504 | 2.41 | 13 |
| 9 | Austria (EU) | 10 656 | 2.51 | 4 393 | 1.85 | 13 | 6 263 | 3.36 | 8 |
| 10 | Belgium (EU) | 10 316 | 2.43 | 4 973 | 2.09 | 11 | 5 343 | 2.86 | 11 |
| 11 | Japan | 10 202 | 2.41 | 5 839 | 2.46 | 9 | 4 363 | 2.34 | 14 |
| 12 | Denmark (EU) | 9 957 | 2.35 | 4 721 | 1.99 | 12 | 5 236 | 2.81 | 12 |
| 13 | China | 9 750 | 2.30 | 3 706 | 1.56 | 14 | 6 044 | 3.24 | 9 |
| 14 | Ireland (EU) | 8 169 | 1.93 | 2 609 | 1.10 | 16 | 5 560 | 2.98 | 10 |
| 15 | Canada | 7 926 | 1.87 | 5 787 | 2.44 | 10 | 2 139 | 1.15 | 17 |
| 16 | Hong Kong, China | 5 032 | 1.19 | 3 444 | 1.45 | 15 | 1 588 | 0.85 | 19 |
| 17 | Finland (EU) | 4 493 | 1.06 | 2 005 | 0.84 | 20 | 2 488 | 1.33 | 15 |
| 18 | Russia | 4 267 | 1.01 | 2 109 | 0.89 | 17 | 2 158 | 1.16 | 16 |
| 19 | Poland (EU) | 3 722 | 0.88 | 2 041 | 0.86 | 19 | 1 681 | 0.90 | 18 |
| 20 | Korea, Republic of | 3 056 | 0.72 | 1 829 | 0.77 | 22 | 1 227 | 0.66 | 21 |
| 21 | Turkey | 2 977 | 0.70 | 2 002 | 0.84 | 21 | 975 | 0.52 | 26 |
| 22 | Czech Republic (EU) | 2 973 | 0.70 | 1 655 | 0.70 | 23 | 1 318 | 0.71 | 20 |
| 23 | Singapore | 2 585 | 0.61 | 2 101 | 0.88 | 18 | 484 | 0.26 | 34 |
| 24 | Brazil | 2 357 | 0.56 | 1 321 | 0.56 | 26 | 1 036 | 0.56 | 23 |
| 25 | Chinese Taipei | 2 199 | 0.52 | 1 213 | 0.51 | 29 | 986 | 0.53 | 25 |
| 26 | India | 2 071 | 0.49 | 1 309 | 0.55 | 27 | 762 | 0.41 | 29 |
| 27 | Portugal (EU) | 1 989 | 0.47 | 1 401 | 0.59 | 24 | 588 | 0.32 | 31 |
| 28 | Hungary (EU) | 1 782 | 0.42 | 826 | 0.35 | 34 | 956 | 0.51 | 27 |
| 29 | United Arab Emirates | 1 776 | 0.42 | 1 257 | 0.53 | 28 | 519 | 0.28 | 33 |
| 30 | Thailand | 1 643 | 0.39 | 845 | 0.36 | 33 | 798 | 0.43 | 28 |
| 31 | South Africa | 1 596 | 0.38 | 603 | 0.25 | 37 | 993 | 0.53 | 24 |
| 32 | Australia | 1 564 | 0.37 | 1 344 | 0.57 | 25 | 220 | 0.12 | 52 |
| 33 | Greece (EU) | 1 436 | 0.34 | 1 147 | 0.48 | 30 | 289 | 0.15 | 45 |
| 34 | Libya | 1 235 | 0.29 | 156 | 0.07 | 70 | 1 079 | 0.58 | 22 |
| 35 | Saudi Arabia | 1 173 | 0.28 | 941 | 0.40 | 31 | 232 | 0.12 | 49 |
| 36 | Israel | 1 123 | 0.26 | 692 | 0.29 | 35 | 431 | 0.23 | 37 |
| 37 | Mexico | 1 123 | 0.26 | 935 | 0.39 | 32 | 188 | 0.10 | 54 |
| 38 | Norway | 1 119 | 0.26 | 562 | 0.24 | 39 | 557 | 0.30 | 32 |
| 39 | Romania | 973 | 0.23 | 572 | 0.24 | 38 | 401 | 0.21 | 38 |
| 40 | Switzerland | 970 | 0.23 | 319 | 0.13 | 46 | 651 | 0.35 | 30 |
| 41 | Iran | 690 | 0.16 | 633 | 0.27 | 36 | 57 | 0.03 | 78 |
| 42 | Malaysia | 919 | 0.22 | 520 | 0.22 | 40 | 399 | 0.21 | 39 |
| 43 | Luxembourg (EU) | 789 | 0.19 | 498 | 0.21 | 41 | 291 | 0.16 | 44 |
| 44 | Slovakia (EU) | 707 | 0.17 | 323 | 0.14 | 45 | 384 | 0.21 | 40 |
| 45 | Nigeria | 651 | 0.15 | 194 | 0.08 | 62 | 457 | 0.25 | 36 |
| 46 | Puerto Rico (U.S.) | 648 | 0.15 | 188 | 0.08 | 66 | 460 | 0.25 | 35 |
| 47 | Lithuania (EU) | 593 | 0.14 | 234 | 0.10 | 54 | 359 | 0.19 | 41 |
| 48 | Indonesia | 576 | 0.14 | 317 | 0.13 | 47 | 259 | 0.14 | 48 |
| 49 | Ukraine | 537 | 0.13 | 434 | 0.18 | 42 | 103 | 0.06 | 69 |
| 50 | Slovenia (EU) | 498 | 0.12 | 267 | 0.11 | 51 | 231 | 0.12 | 50 |
| | Other Countries | 13 777 | 3.25 | 8 433 | 3.55 | n.a. | 5 344 | 2.87 | n.a. |

Sources: GTI, Global Trade Atlas (October 2006)

Leading fish exporters: 2004

(in million USD)

Fig. 28



Source: FAO



The European Free Trade Association (EFTA) is an inter-governmental organisation for the promotion of free trade and economic integration to benefit its four Member States: Iceland, Liechtenstein, Norway and Switzerland. The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
- EFTA's worldwide network of free trade and partnership agreements;
- The Agreement on the European Economic Area (EEA), which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to fully participate in the EU's Internal Market.

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